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Rhode Island Current Conditions Index -- September 2014

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CURRENT CONDITIONS INDEX

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Rhode Island's economy is on a tear, kind of. After stumbling somewhat in the second quarter of 2014, the pace of this recovery picked up noticeably in the third quarter, as the Current Conditions Index managed to *reach and sustain* a value of 75 for all three months of that quarter. This performance is significant for a couple of reasons. First, and foremost, the August CCI exceeded its year-earlier value, something we hadn't witnessed in twelve months. Second, the string of 75 values were the highest recorded in 2014, outpacing earlier-year values of 50, 58, and 67. The gray area, however, is that September's CCI value only matched its value from last September, failing to extend the string of yearly improvements. But this is Rhode Island, where nothing economic is ever all that easy. So let me modify my recent criterion, actually soften it a bit, to apply to Rhode Island's current situation: we have now *matched or exceeded* year-earlier CCI values for two consecutive months.

Our transition from a period where the current recovery was becoming less broadly based into one where increased momentum is being sustained thus continues. That is a big deal, especially for this state. So, as we move into the fourth quarter of 2014, there is a fairly high probability that our state's economic performance is not decoupling from the accelerating national economy after all.

In September, four of the five leading indicators contained within the Current Conditions Index improved. The sole leading indicator that failed to improve was **Total Manufacturing Hours**, which measures strength in our manufacturing sector. This indicator fell for the first time in over a year (-0.3%), following slower growth since June. While manufacturing employment rose, the length of

string of strong performances. This volatile indicator rose by a mind-boggling 36.7 percent in September relative to its value last year. So, while the momentum derived from Rhode Island's goods-producing sector may be moderating, weakness in manufacturing is being at least partially offset by strength in housing.

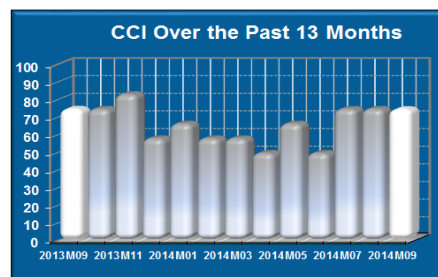
New Claims, which is a leading labor market indicator, fell by 7.4 percent in September, breaking a string of two consecutive double-digit declines. This indicator has now improved for six of the past seven months, a very healthy sign as we move into the fourth quarter. **Employment Service Jobs**, which includes temporary employment, and is a prerequisite to employment growth, rose for the third consecutive month (+2.3%). Its rate of growth has been increasing over this three-month stretch, another positive sign as we move forward. Finally, **US Consumer Sentiment** rose in September (+8.7%), its second increase following a string of three consecutive declines.

Retail Sales remained strong in September, increasing by 4.7 percent compared to a year ago. This indicator has now improved for eight of the last ten months. **Private Service-Producing Employment** rose by 1.6 percent in September, with growth slowing over the past three months. Not surprisingly, **Government Employment** failed to improve once again. For September, it declined by 0.7 percent. Its recent performance strongly points to it having bottomed at 60,000. **Benefit Exhaustions**, which reflects longer-term unemployment, fell 12.3 percent relative to a year ago. September marked the fifth double-digit improvement for this indicator in the last six months. Finally, Rhode Island's **Labor Force** rose by 0.5 percent versus a year ago, although it declined relative to August. Along with this, our **Unemployment Rate** remained at 7.6 percent, third nationally.

CCI Indicators - % Change	
Government Employment	-0.7
US Consumer Sentiment	8.7 Y
Single-Unit Permits	36.7 Y
Retail Sales	4.7 Y
Employment Services Jobs	2.3 Y
Priv. Serv-Prod Employment	1.6 Y
Total Manufacturing Hours	-0.3
Manufacturing Wage	-6.6
Labor Force	0.5 Y
Benefit Exhaustions	-12.3 Y
New Claims	-7.4 Y
Unemployment Rate (change)	-1.9 Y
Y = Improved Value	

the workweek fell slightly. As has been true for some time now, the **Manufacturing Wage** declined, for a seventh consecutive time in September, by a bizarre and difficult to believe 6.6 percent. Were the BLS to conduct a direct survey of the **Manufacturing Wage** here my guess is that its actual level would be well below their inflated estimates over the past few years.

Single-Unit Permits, which reflects new home construction, had declined in August by 8.7 percent (year-over-year) after a



DLT SEP Employment (SA,Y/Y)	
Gain	7,200
Loss	1,300
Net Chg	5,900

THE BOTTOM LINE

In September, Rhode Island sustained its recent economic momentum, as the Current Conditions Index registered a value of 75, matching its values for both July and August. This is a turning point of sorts, since the CCI not only sustained its highest value for this year, we have now matched or exceeded year-earlier CCI values for two consecutive months. Rhode Island's recovery thus appears to be on its way to becoming more broadly based. If we are able to sustain this momentum, Rhode Island will further close the gap between its performance and that of the overall US economy.

75		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2013	75	67	83	83↑	75↓	83↑	83	67	75↑	75	83↑	58↓
	2014	67↓	58	58	50↓	67	50	75	75	75			